

29-1140

Sumner Township
(Gratiot)
Financial Statements

March 31, 2004



Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Sumner Township	County Gratiot
Audit Date 3/31/04	Opinion Date 6/30/04	Date Accountant Report Submitted to State: 8/12/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

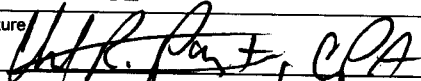
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) ROSLUND, PRESTAGE & CO., PC, CPA'S			
Street Address 308 GRATIOT AVENUE		City ALMA	State MI
Accountant Signature 		ZIP 48801	Date 8/12/04

Sumner Township
Financial Statements
March 31, 2004

Table Of Contents

	Page Number
Sumner Township Board	
Independent Auditor's Report	
Financial Section	
Combined Balance Sheet - All Fund Types And Account Groups	1
Combined Statement Of Revenues, Expenditures And Changes In Fund Balances - All Governmental Fund Types	2
Combined Statement Of Revenues, Expenditures And Changes In Fund Balance - Budget And Actual – General Fund	3
Combined Statement Of Revenues, Expenses And Changes In Retained Earnings / Fund Balance – All Proprietary Funds Types And Similar Trust Funds	4
Combined Statement Of Cash Flows – All Proprietary Fund Types And Similar Trust Funds	5
Notes To The Financial Statements	6 - 11
Supplemental Information	
Trust And Agency Funds Combining Balance Sheet	12
Agency Fund Statement Of Changes In Assets And Liabilities	13
Government Auditing Standards Report	14 - 15

Sumner Township Board
March 31, 2004

Ronald Hunt, Jr.

Supervisor

Carlene McGill

Clerk

Angela Martin

Treasurer

Joan Davis

Trustee

Eloise Freed

Trustee



Independent Auditor's Report

Sumner Township Board
Sumner Township, Michigan

We have audited the accompanying general-purpose financial statements of Sumner Township as of and for the year ended March 31, 2004, as listed in the table of contents. These general-purpose financial statements are the responsibility of Sumner Township's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Sumner Township, as of March 31, 2004, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of Sumner Township. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 30, 2004 on our consideration of Sumner Township's internal control structure over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Roslund, Prestage & Co, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

June 30, 2004

Sumner Township
Combined Balance Sheet - All Fund Types And Account Groups
March 31, 2004

	<u>Governmental Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>	<u>Total (Memorandum Only)</u>
<u>Assets</u>	<u>General</u>	<u>Trust and Agency</u>	<u>General Fixed Asset</u>	
Cash And Investments	\$420,477	\$4,197		\$424,674
Taxes Receivable	10,412			10,412
Due From Other Funds	47			47
General Fixed Assets			\$1,107,757	1,107,757
Total Assets	<u>\$430,936</u>	<u>\$4,197</u>	<u>\$1,107,757</u>	<u>\$1,542,890</u>
<u>Liabilities, Fund Equity And Other Credits</u>				
Liabilities				
Accounts Payable	\$6,056			\$6,056
Due To Other Funds		\$47		47
Total Liabilities	<u>6,056</u>	<u>47</u>		<u>6,103</u>
Other Credits				
Investment In General Fixed Assets			\$1,107,757	1,107,757
Fund Equity				
Fund Balance - Reserved				
For Perpetual Care		4,150		4,150
For Community Center	35,090			35,090
For Fire Protection	2,658			2,658
Fund Balance - Unreserved	<u>387,132</u>			<u>387,132</u>
Total Fund Equity And Other Credits	<u>424,880</u>	<u>4,150</u>	<u>1,107,757</u>	<u>1,536,787</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$430,936</u>	<u>\$4,197</u>	<u>\$1,107,757</u>	<u>\$1,542,890</u>

See Accompanying Notes to Financial Statements.

Sumner Township
Combined Statement Of Revenues, Expenditures, And Changes In Fund Balance -
All Governmental Fund Types
Year Ended March 31, 2004

	Governmental Fund Types
	<u>General</u>
Revenues	
Taxes and Penalties	\$87,777
State Grants	151,700
Charges For Services	17,755
Interest and Rentals	6,560
Other Revenues	<u>25,154</u>
Total Revenues	<u>288,946</u>
Expenditures	
Legislative	2,664
General Government	83,716
Public Safety	47,237
Public Works	64,297
Recreation and Cultural	7,690
Other	
Insurance, Bonds and Fringes	14,698
Capital Outlay	<u>22,655</u>
Total Expenditures	<u>242,957</u>
Excess Of Revenues Over (Under) Expenditures	45,989
Fund Balance - April 1, 2003	<u>378,891</u>
Fund Balance - March 31, 2004	<u><u>\$424,880</u></u>

See Accompanying Notes to Financial Statements.

Sumner Township
Combined Statement Of Revenues, Expenditures, And Changes In Fund Balance -
Budget And Actual - General Fund
Year Ended March 31, 2004

	General Fund		
	Budget	Actual	Variance
Revenues			
Taxes and Penalties	\$82,881	\$87,777	\$4,896
State Grants	166,923	151,700	(15,223)
Charges For Services	19,641	17,755	(1,886)
Interest and Rentals	3,000	6,560	3,560
Other Revenues	36,638	25,154	(11,484)
Total Revenues	<u>309,083</u>	<u>288,946</u>	<u>(20,137)</u>
Expenditures			
Legislative	2,664	2,664	
General Government	109,325	83,716	25,609
Public Safety	48,290	47,237	1,053
Public Works	91,456	64,297	27,159
Recreation and Cultural	7,000	7,690	(690)
Other			
Insurance, Bonds and Fringes	17,600	14,698	2,902
Capital Outlay	37,000	22,655	14,345
Total Expenditures	<u>313,335</u>	<u>242,957</u>	<u>70,378</u>
Excess Of Revenues Over (Under) Expenditures	(4,252)	45,989	50,241
Fund Balance - April 1, 2003	<u>378,891</u>	<u>378,891</u>	
Fund Balance - March 31, 2004	<u>\$374,639</u>	<u>\$424,880</u>	<u>\$50,241</u>

See Accompanying Notes to Financial Statements.

Sumner Township
 Combined Statement Of Revenues, Expenses And
 Changes In Retained Earnings / Fund Balance
 All Proprietary Fund Types And Similar Trust Funds
 For The Year Ended March 31, 2004

	Fiduciary Fund Type Non-Expendable Trust
Operating Revenues	
Investment Income	<u>\$16</u>
Total Operating Revenues	<u>16</u>
Net Income	16
Fund Balance, April 1, 2003	<u>4,134</u>
Fund Balance, March 31, 2004	<u><u>\$4,150</u></u>

See Accompanying Notes to Financial Statements.

Sumner Township
Combined Statement Of Cash Flows - All Proprietary Fund Types,
And Similar Trust Funds
For The Year Ended March 31, 2004

Cash Flows From Operating Activities:

Interest Received	<u>\$16</u>
Net Cash Provided By Operating Activities	16
Cash And Cash Equivalents, April 1, 2003	<u>4,134</u>
Cash and Cash Equivalents, March 31, 2004	<u><u>\$4,150</u></u>

See Accompanying Notes to Financial Statements.

Sumner Township
Notes To Financial Statements
March 31, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present all funds and account groups of Sumner Township. The criteria established by GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Township are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the government funds not recorded directly in those funds.

The Township has the following fund types and account groups:

Governmental Funds are used to account for the Township's general government activities. Government fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Township considers all revenues available if they are collected within 60 days after year-end.

Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include: (1) property tax revenue is recognized in accordance with MCGAA Statement 3, "Revenue Recognition of Property Taxes"; (2) normally, expenditures are not divided between years by the recording of prepaid expenses; and (3) payments for inventorable types of supplies are recorded as expenditures at the time of purchase.

Governmental funds include the following fund types:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Sumner Township
Notes To Financial Statements
March 31, 2004

Fiduciary Funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the Township under the terms of a formal trust agreement.

The *nonexpendable trust fund* is accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Nonexpendable trust funds account for assets of which the principal may not be spent.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the Township holds for others in an agency capacity.

Account Groups account for fixed assets or general long-term debt and certain other liabilities that are not specifically accounted for in proprietary or trust funds.

Budgets and Budgetary Accounting

Budgets are adopted by the Township for the general fund. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Property Taxes

Property taxes are levied on each December 1st on the state equalized valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 14th with the final collection date of February 28th before they are added to the county delinquent tax rolls.

The 2003 Taxable Valuation of the Township totaled \$27,635,132, on which .9616 mills were levied for the Township's operating purposes, 1.7227 mills for fire services, and .4922 mills for community center purposes.

The total 2003 levy for the Township was \$87,768 of which \$26,569 was for operating purposes, \$47,602 for fire services, and \$13,597 for the community center.

Sumner Township
Notes To Financial Statements
March 31, 2004

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Assets, Liabilities and Equity

1. Deposits

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

2. Fixed Assets

Fixed assets used in governmental fund types of the Township are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

Public domain (infrastructure) general fixed assets (e.g., road, bridges, sidewalks and other assets that are immovable and of value only to the Township) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the general fixed assets account group.

3. Long-term Obligations

The Township reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

4. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Sumner Township
Notes To Financial Statements
March 31, 2004

5. Memorandum Only-Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the function level. During the year ended March 31, 2004, the Township incurred expenditures in excess of the amounts appropriated as shown on page 3 of this report.

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorized the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Sumner Township
Notes To Financial Statements
March 31, 2004

The Township's deposits are in accordance with statutory authority.

At March 31, 2004, the carrying amount of the Township's cash and cash equivalents was \$424,674 as follows:

Cash Deposits	\$267,855
Certificate of Deposit	156,819
Total	\$424,674

At year end, the carrying amount of the Township's cash deposits and certificate of deposits was \$424,674 and the bank balance was \$424,428. Of the bank balance, \$100,000 was covered by federal depository insurance and \$324,428 was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

Reserved Fund Balance

Fund balance in the general fund has been reserved for fire protection and community center operations and maintenance.

Fund balance in the non-expendable trust fund has been reserved for the perpetual care of the cemetery.

Risk Management

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The Township has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

Fire Contract

The Township has a contract with the City of Alma for fire protection. As stated in Note 1, 1.7227 mills were levied for fire services.

Sumner Township
Notes To Financial Statements
March 31, 2004

Employees Retirement System – Defined Contribution Pension Plan

Sumner Township participates in the Manulife Financial Defined Contribution Pension Plan for Michigan Township Employees. The name of the plan is the Sumner Township / Gratiot County Pension Plan.

All members of the Township Board and all Township Employees are eligible to participate in the plan. As of December 30, 2003, the pension plan's current membership was 5 employees.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined. The amounts participants receive depend solely on the amounts contributed to the participant's account and the returns earned on those contributions.

Employer contributions for each participant will be 15% of compensation. Mandatory Employee contributions are 5% of compensation on an after-tax basis. Additional voluntary non-deductible contributions are not allowed.

Benefits are 100% vested upon plan participation.

During the year, the Township's actual contributions to the plan amounted to \$5,020, which includes \$3,866 of employer contributions, and \$1,154 of employee contributions.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

Sumner Daze

During the 2004 fiscal year, the Township maintained the cash receipts and cash disbursements for Sumner Daze, a festival that is held on an annual basis. The Township maintains a separate checking account to account for this activity. As of March 31, 2004, the balance in this checking account is \$2,961. For the year ended March 31, 2004, revenues and expenditures for this festival totaled \$5,944 and \$7,690, respectively.

Sumner Township
Trust and Agency Funds
Combining Balance Sheet
March 31, 2004

	Non- expendable Trust	Agency	
	Perpetual Care	Tax Collection	Totals
Assets			
Cash	\$4,150	\$47	\$4,197
Total Assets	<u>\$4,150</u>	<u>\$47</u>	<u>\$4,197</u>
Liabilities And Fund Balances			
Liabilities:			
Due To Other Funds		\$47	\$47
Total Liabilities		<u>47</u>	<u>47</u>
Fund Balances:			
Reserved For Perpetual Care	\$4,150		4,150
Total Fund Balances	<u>4,150</u>		<u>4,150</u>
Total Liabilities And Fund Balances	<u>\$4,150</u>	<u>\$47</u>	<u>\$4,197</u>

See Accompanying Notes to Financial Statements.

Sumner Township
Tax Collection Agency Fund
Statement Of Changes In
Assets And Liabilities
Year Ended March 31, 2004

	Balance April 1, 2003	Additions	Reductions	Balance March 31, 2004
<u>Assets</u>				
Cash	\$16,672	\$616,685	\$633,310	\$47
Total Assets	<u>\$16,672</u>	<u>\$616,685</u>	<u>\$633,310</u>	<u>\$47</u>
<u>Liabilities</u>				
Due To General Fund	\$16,672	\$84,215	\$100,840	\$47
Due To County		400,289	400,289	
Due To Others		1,928	1,928	
Due To Schools		130,253	130,253	
Total Liabilities	<u>\$16,672</u>	<u>\$616,685</u>	<u>\$633,310</u>	<u>\$47</u>

See Accompanying Notes to Financial Statements.



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the Board
Sumner Township, Michigan

We have audited the general-purpose financial statements of Sumner Township as of and for the year ended March 31, 2004, and have issued our report thereon dated June 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Sumner Township's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sumner Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

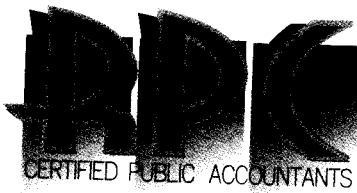
We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, others within the organization, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Roslund, Prestage & Co, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

June 30, 2004



Management Letter

Members of the Board
Sumner Township, Michigan

In planning and performing our audit of the financial statements of Sumner Township for the fiscal year ended March 31, 2004, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our audit report dated June 30, 2004 on the financial statements of Sumner Township.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience.

Sincerely,

Roslund, Prestage & Co, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

June 30, 2004

Evaluate Existing Accounting Records

The Township's general ledger, cash disbursements and cash receipts are all maintained with manual, hand written records. We recommend the Township evaluate and purchase a computerized accounting program that includes the following modules: general ledger, cash disbursements, payroll, and cash receipts.

When evaluating various software programs, the Township should focus on ensuring that the financial systems maximize the productivity of its accounting staff and meet the future needs of management.

We would be pleased to assist the Township in selecting an appropriate system.

Organizational Structure

The size of the Township's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Township Board remains involved in the financial affairs of the Township to provide oversight and independent review functions including the consideration of cash transactions and monthly review of financial reports, bank statements, receipts journal, and paid invoices.

Budget

We recommend the Township to formally adopt all future budgets in a format that coincides with page 3 of the current year audit report. In addition, amendments to the budget should be reflected in the final budget adopted by the board.

GASB No. 34

On June 10, 1999, the GASB unanimously approved the issuance of GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This Statement will have a significant impact on the way state and local governments report their finances to the public.

GASB No. 34 establishes new requirements for the annual financial reports of state and local governments. The basic financial statements and required supplementary information for general-purpose governments will include Management's discussion and analysis (MD&A). The MD&A is a narrative report prepared in an easy-to-read format by the financial manager. It should introduce the basic financial statements; provide an analytical over-view of the financial activities for the year based on the financial manager's knowledge of the transactions, events, and conditions reflected in the financial report and the fiscal policies that control the government's operations. Use of charts, tables, and graphs is encouraged.

In addition to the MD&A, full accrual accounting will also be required, which includes depreciation and capitalization of fixed assets. A substantial amount of time by management of Sumner Township will be required to implement GASB No. 34.

The requirements of this GASB Statement are effective in three phases based on the total annual revenues of the government. For Sumner Township, the effective implementation date must begin on April 1, 2004 and will be reflected in the financial statements to be issued for the March 31, 2006 audit.

We would be pleased to assist you with implementing GASB No. 34.